

STARWOOD HOTELS & RESORTS

Form 425

November 16, 2005

Filed by Host Marriott Corporation pursuant to Rule 425

under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Starwood Hotels & Resorts

Commission File No.: 001-6828

### **Information about the Proposed Transaction and Where to Find It**

In connection with the proposed transaction, Host Marriott Corporation will file a proxy statement/prospectus as part of a registration statement on Form S-4 and other documents regarding the proposed transaction with the Securities and Exchange Commission (SEC). **Investors and security holders are urged to read the proxy statement/prospectus when it becomes available because it will contain important information about Host Marriott Corporation, Starwood Hotels & Resorts and the proposed acquisition.** A definitive proxy statement/prospectus will be sent to stockholders of Host Marriott Corporation seeking their approval of the issuance of Host Marriott Corporation common stock in the transactions contemplated by the master agreement. Investors and security holders may obtain a free copy of the definitive proxy statement/prospectus (when available) and other documents filed by Host Marriott Corporation with the SEC at the SEC's web site at [www.sec.gov](http://www.sec.gov). The definitive proxy statement/prospectus and other relevant documents may also be obtained, when available, free of cost by directing a request to Host Marriott Corporation, 6903 Rockledge Drive, Suite 1500, Bethesda, MD 20817, Attention Investor Relations, (telephone 240-744-1000). Investors and security holders are urged to read the proxy statement/prospectus and other relevant material when they become available before making any voting or investment decisions with respect to the proposed transaction.

Host Marriott Corporation and its directors and executive officers may be deemed, under SEC rules, to be participants in the solicitation of proxies from the stockholders of Host Marriott Corporation in respect of the proposed transaction. Information about Host Marriott Corporation and its directors and executive officers, and their ownership of securities in Host Marriott Corporation, is set forth in the proxy statement for Host Marriott Corporation's 2005 Annual Meeting of Stockholders, which was filed with the SEC on April 11, 2005. Additional information regarding the direct and indirect interests of those persons may be obtained by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

### **Cautionary Language Concerning Forward-Looking Statements**

## Edgar Filing: STARWOOD HOTELS & RESORTS - Form 425

This filing contains forward-looking statements within the meaning of federal securities regulations. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, and other similar terms and phrases, including references to assumptions and forecasts of future results, statements about the expected scope and timing of the acquisition, expected financial results and credit effects of the acquisition, consequences of management efforts, opportunities for growth and expectations as to timing, nature and terms of financing and other sources of funds. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks include, but are not limited to: national and local

economic and business conditions, including the potential for terrorist attacks, that will affect occupancy rates at our hotels and the demand for hotel products and services; operating risks associated with the hotel business; risks associated with the level of our indebtedness and our ability to meet covenants in our debt agreements; relationships with property managers; our ability to maintain our properties in a first-class manner, including meeting capital expenditure requirements; our ability to compete effectively in areas such as access, location, quality of accommodations and room rate structures; changes in travel patterns, taxes and government regulations which influence or determine wages, prices, construction procedures and costs; our ability to complete pending acquisitions and dispositions; and our ability to continue to satisfy complex rules in order for us to qualify as a real estate investment trust for federal income tax purposes and other risks and uncertainties associated with our business described in Host Marriott Corporation's filings with the SEC. The completion of the transaction with Starwood (either in whole or in part relating to the acquisition of certain hotels) is subject to numerous closing conditions and there can be no assurance that the transactions as a whole, or portions of these transactions, will be completed. These closing conditions include, but are not limited to: Host Marriott Corporation receiving approval from its stockholders to issue shares to Starwood's Class B holders, obtaining various lender consents and regulatory approvals, the accuracy of representations and warranties and compliance with covenants, the absence of material events or conditions, and other customary closing conditions. Our expectations as to the financial consequences of the acquisition may be affected by the risks noted above and factors unique to acquisitions, including the timing and successful integration of these hotels into our portfolio and the number and location of the hotels we ultimately acquire with the acquisition. Although Host Marriott Corporation believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this filing and Host Marriott Corporation undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

#### **Non-GAAP Financial Measures**

This filing contains non-GAAP financial measures within the meaning of the rules of the SEC. Information about these measures and reconciliations between the non-GAAP financial measures and the GAAP financial measures are included in Host Marriott Corporation's press release announcing the transaction, dated November 14, 2005, and third quarter 2005 earnings press release, dated October 12, 2005, both of which are available on Host Marriott Corporation's web site at [www.hostmarriott.com](http://www.hostmarriott.com).



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Transaction Overview

Portfolio of 38 upper upscale and luxury full-service hotels (18,964 rooms), including 25 domestic and 13 international assets

Purchase Price: \$4.0 billion (\$213,000/key)

2006 Full-year EBITDA: \$355 million to \$365 million

2006 EBITDA Multiple: 11.1x to 11.4x

Transaction expected to close at the end of 1Q06 and is subject to a Host Marriott stockholder vote and other closing conditions.

2 Luxury / St. Regis

1 Unbranded

20 Sheratons

13 Westins

2 Ws

3

Strong Portfolio

High quality portfolio that matches up well with our portfolio in terms of asset quality and positioning; average hotel contains approximately 500 rooms and generates

RevPAR

of \$117, both comparable to our current portfolio

Portfolio made up entirely of luxury and upscale hotels, including six city center hotels with over 750 rooms

80% of the hotels\* are in urban, convention or resort locations, providing additional

concentration in our desired segments

\* Based on revenues.

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Strong Portfolio (cont.)

The top 16 hotels in the portfolio contribute 75%  
of the portfolio's cash flow

The portfolio includes key assets such as:

Westin Palace Madrid

Sheraton Centre Toronto

W Seattle

Westin Grand Washington, DC

Westin Europa

& Regina (Venice)

Westin Palace Milan

Sheraton New York

Sheraton San Diego  
Sheraton Boston  
Westin Seattle  
W New York

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Strong Portfolio (cont.)

Excellent geographic distribution; most markets have strong growth prospects and limited near-term supply; adds presence in key domestic markets such as Seattle, New York, Boston and San Diego

29% of the portfolio\* is situated outside the United States, with 15% in Europe, providing additional geographic distribution

Unique opportunity to acquire high-quality international assets at attractive pricing

\* Based on revenues.

6  
Profile of Hotel Portfolio  
By Type (Based on Revenue)  
Host Marriott Stand-alone  
9%  
19%  
52%  
20%  
Starwood Portfolio

10%

10%

71%

9%

Combined

9%

57%

17%

17%

Downtown

Resort

Airport

Suburban

7  
Profile of Hotel Portfolio  
Geographic Scope (Based on Revenue)  
Host Marriott Stand-alone  
3%  
97%  
Starwood Portfolio  
71%  
29%

Combined  
9%  
91%  
International  
Domestic

8  
Profile of Hotel Portfolio  
Brand Mix (Based on Revenue)  
Host Marriott Stand-alone  
12%  
6%  
9%  
1%  
70%

2%  
Starwood Portfolio  
3%  
9%  
55%  
33%  
Combined  
4%  
2%  
2%  
7%  
9%  
53%  
14%  
9%  
Marriott  
Sheraton  
Westin  
Ritz-Carlton  
Hyatt  
Fairmont  
W  
Other

9  
Profile of Hotel Portfolio  
Regional Scope (Based on Revenue)  
Horizon  
Sun  
Combined  
Percentage  
Region  
%  
%  
%  
Change  
Atlanta  
8%  
0%

6%  
(2%)  
DC Metro  
11%  
2%  
9%  
(2%)  
Florida  
15%  
1%  
12%  
(3%)  
Hawaii  
5%  
0%  
4%  
(1%)  
International  
3%  
29%  
9%  
6%  
Middle Atlantic  
16%  
21%  
17%  
1%  
Mountain  
3%  
2%  
2%  
(1%)  
New England  
5%  
12%  
7%  
2%  
North Central  
7%  
7%  
7%  
0%  
Pacific  
20%  
24%  
21%  
1%  
South Central  
7%  
2%

6%  
(1%)

10  
Profile of Hotel Portfolio  
Geographic  
Coverage

Host  
Marriott  
Portfolio

Host Marriott Portfolio

11  
Profile of Hotel Portfolio  
Geographic  
Coverage

Combined  
Portfolio  
Starwood Portfolio

Host Marriott Portfolio

12

Enhanced Growth Potential &  
Brand Diversification

Transaction creates significant relationship with  
another major hotel operating/brand company  
and furthers our brand diversification strategy

Opportunity to benefit from expected  
improvement in market share among Starwood's  
brands

Opportunity to improve growth through  
aggressive asset management and value  
enhancement initiatives

Partnership with Starwood  
will enhance future  
growth opportunities

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Enhanced Growth Potential &  
Brand Diversification (cont.)

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Financial Considerations

\$2.3 billion (approximately 133.5 million shares @ \$17.00/share)

100% will be distributed directly to Starwood shareholders

Equity

\$2.3 billion of equity issued to Starwood shareholders

\$700 million of assumed debt

\$1.0 billion of cash

Consideration

\$4.0 billion (\$213,000/key)

Purchase Price

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Financial Considerations

(cont.)

Bridge loan in place to fund entire cash portion of the transaction if necessary

Expect to fund cash portion of purchase price through a combination of debt, asset sales and proceeds raised through a joint venture related to the acquired European assets

Cash

\$704 million\* at a weighted average interest rate of 7.5% and an average maturity of 12 years

Assumed

Debt

\* Contingent on completing a consent solicitation.

16  
Earnings Impact  
\$1.45  
\$1.35  
\$1.64  
\$1.56  
FFO/  
diluted share  
(2)  
\$1,045  
\$1,005  
\$365  
\$355  
Adjusted EBITDA  
(2)  
(\$mm)

High

Low

High

Low

Host Marriott,

L.P.

Purchase

Portfolio

(1)

FY 2006

(1)

Forecast reflects full year results for 2006; however, the transaction is not expected to close until the end of 1Q06 and may close in stages.

(2)

Reconciliations of non-GAAP measures to the most- directly comparable GAAP measures are available on our website and in our filings with the SEC.

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Financial Considerations

(cont.)

EBITDA multiple for overall transaction is 11.1x to 11.4x, which is 40 to 70 basis points below our current trading multiple

Purchase price of approximately \$213,000 per key represents a 25-30% discount to replacement cost

Unleveraged

10-year internal rate of return exceeds

our current Weighted Average Cost of Capital by roughly 200 basis points

The transaction will be accretive to our credit under all of our financing scenarios, and meaningfully accretive under our anticipated structure of asset sales and a European joint venture

18  
Overview  
9  
3  
Countries  
Over 50  
Over 35  
Markets

18  
14  
Brands  
\$9 billion  
\$6 billion  
Equity Market  
Cap.  
6  
th  
-Largest REIT  
9  
th  
-Largest REIT  
Largest Lodging REIT  
Largest Lodging REIT  
Largest Public Lodging Co.  
3  
rd  
-Largest Pub. Lodging Co.  
Scale  
\$16 billion  
\$12 billion  
TEV  
74,185  
55,221  
No. of Rooms  
145  
107  
No. of Hotels  
HOST  
hotels & resorts

19  
Portfolio Overview  
2 Luxury / St. Regis  
1 Unbranded  
20 Sheratons  
13 Westins  
2 Ws

20

Portfolio Overview

Assets Ranked by Size

No.

Asset

City

State

Country

Rooms

1

Sheraton New York Hotel

New York

NY

USA

1,746

2

Sheraton Centre Toronto Hotel

Toronto

Canada

1,377

3

Sheraton Boston Hotel

Boston

MA

USA

1,216

4

Sheraton San Diego Hotel & Marina

San Diego

CA

USA

1,044

5

The Westin Seattle

Seattle

WA  
USA  
891  
6  
Le Centre Sheraton Montreal Hotel  
Montreal  
Canada  
825  
7  
The Westin Los Angeles Airport  
Los Angeles  
CA  
USA  
740  
8  
W New York  
New York  
NY  
USA  
688  
9  
Sheraton Roma Hotel & Conference Center  
Rome  
Italy  
634  
10  
The Westin Indianapolis  
Indianapolis  
IN  
USA  
573  
11  
Sheraton Indianapolis Hotel & Suites  
Indianapolis  
IN  
USA  
560  
12  
The Westin Mission Hills Resort & Spa  
Rancho Mirage  
CA  
USA  
512  
13  
The Westin Palace, Madrid, a Luxury Collection Hotel  
Madrid  
Spain  
468  
14  
The Westin Cincinnati

Cincinnati

OH

USA

456

15

Sheraton Stamford Hotel

Stamford

CT

USA

448

16

The Westin Tabor Center

Denver

CO

USA

430

17

W Seattle

Seattle

WA

USA

426

18

The Westin South Coast Plaza

Costa Mesa

CA

USA

390

19

Sheraton Milwaukee Brookfield Hotel

Brookfield

WI

USA

389

21

Portfolio Overview (cont.)

Assets Ranked by Size

No.

Asset

City

State

Country

Rooms

20

Sheraton Santiago Hotel & Convention Center

Santiago

Chile

379

21

Sheraton Braintree Hotel

Braintree

MA

USA

374

22

Sheraton Parsippany Hotel

Parsippany

NJ

USA

370

23

Sheraton Skyline Hotel & Conference Centre

Hayes

United Kingdom

350

24

Sheraton Warsaw Hotel & Towers

Warsaw

Poland

350

25

The Westin Waltham-Boston

Waltham

MA

USA

346

26

Sheraton Hamilton Hotel

Hamilton

Canada

301

27

Sheraton Fiji Resort

Nadi

Fiji

281

28

The Westin Royal Denarau Resort

Nadi

Fiji

273

29

The Westin Grand, Washington, D.C.

Washington

D.C.

USA

263

30

Sheraton Suites Tampa Airport

Tampa

FL

USA

259

31

Sheraton Needham Hotel

Needham

MA

USA

247

33

St. Regis Hotel, Houston

Houston

TX

USA

232

32

Westin Palace, Milan, a Luxury Collection Hotel

Milan

Italy

228

34

Sheraton Tucson Hotel & Suites

Tucson

AZ

USA

216

35

Sheraton Providence Airport Hotel

Warwick

RI

USA

206

36

The Westin Europa & Regina, Venice, a Luxury Collection Hotel

Venice

Italy

185

37

Capitol Hill Suites

Washington

D.C.

USA

152

38

San Cristobal Tower, a Luxury Collection Hotel

Santiago

Chile  
139  
Total Portfolio  
18,964

Sheraton New York Hotel

New York, NY

Number of Rooms:

1,746

Total Function Space: 55,000 sf

F&B Outlets: 4

Other:

4 Retail Outlets (1,600 sf)

6,800 sf  
Fitness Ctr

Sheraton San Diego Hotel & Marina  
San Diego, CA  
Number of Rooms: 1,044  
Total Function Space: 80,000 sf  
F&B Outlets: 7  
Other:

300 slip Marina

3,500 sf  
Spa

Sheraton Boston Hotel  
Boston, MA  
Number of Rooms: 1,216  
Total Function Space: 69,275 sf  
F&B Outlets: 2  
Other:

10,200 sf  
Fitness Ctr

Westin Seattle

Seattle, WA

Number of Rooms:

891

Total Function Space: 54,375 sf

F&B Outlets: 3

Other:

2,756 sf  
Pool & Spa

W Seattle

Seattle, WA

Number of Rooms:

426

Total Function Space: 10,000 sf

F&B Outlets: 2

Other:

650 sf  
Fitness Center

W New York  
New York, NY  
Number of Rooms:  
688  
Total Function Space: 3,248 sf  
F&B Outlets: 2  
Other:

3 Retail Outlets (3,800 sf)

20,000 sf

Bliss Spa

Westin Palace Madrid

Madrid, Spain

Number of Rooms:

468

Total Function Space: 24,645 sf

F&B Outlets: 2

Other:

1,800 sf  
Fitness Ctr

Sheraton Centre Toronto Hotel  
Toronto, Canada  
Number of Rooms:  
1,377  
Total Function Space: 84,000 sf  
F&B Outlets: 2  
Other:

2,000 sf  
Fitness Ctr

Significant Retail Space  
at Toronto Underground Level

Westin Mission Hills Resort & Spa  
Rancho Mirage, CA  
Number of Rooms: 512  
Total Function Space: 94,009 sf  
F&B Outlets: 8  
Other:

Two 18-hole golf courses  
(Pete Dye & Gary Player)

13,000 sf  
spa

Westin Grand Washington D.C.

Washington, D.C.

Number of Rooms:

263

Total Function Space: 11,667 sf

F&B Outlets: 3

Westin Palace Milan

Milan, Italy

Number of Rooms:

228

Total Function Space: 10,000 sf

F&B Outlets: 3

625 sf

Fitness Ctr

Westin Europa  
& Regina

Venice, Italy

Number of Rooms:

185

Total Function Space: 63,886 sf

F&B Outlets: 2

HOST  
hotels & resorts